

## **The Progressive Tax Act of 2003**

To resolve the impending crisis, action must be taken now to protect the progressive tax system, provide transparency, and ensure adequate funds for the federal government to meet its obligations. This can only be accomplished by shifting tax burden from work to accumulated wealth, from the working poor to the wealthiest, and from children to corporations.

In Title I, the bill provides tax relief for workers and families:

1. **\$1530 Payroll Tax Credit:** A refundable tax credit for people who work, linked to what they paid in payroll taxes and phased out at higher incomes. This tax credit is simple, targeted to relieve a high tax burden, provides a stimulus effect, and encourages work.
2. **\$2000 Simplified Family Credit:** A refundable tax credit that simplifies the tax code by consolidating the EITC, Child Tax Credit, Additional Child Credit, and exemption for children into one Simplified Family Credit. This tax credit will simplify the tax code, provide greater transparency, provide extra work incentives, and a stimulus effect.

In Title II and Title II, the bill closes corporate loopholes and restores the federal budget:

1. Restore integrity to the tax system by closing corporate loopholes and setting tough penalties to prevent corporate tax shelter abuse.
2. Repeal most of the erroneous Bush tax cuts in the past three years that benefited the wealthy. Repeal other tax benefits that provide benefits only to the wealthy and have no stimulus effect.

The Progressive Tax Act of 2003 will provide a positive impact on the federal budget and deficit. It gives \$87 billion per year to people with modest income and families in the middle class. The bill collects an additional \$107 billion per year from the unfair Bush tax cuts, corporate tax loopholes, and other inappropriate tax giveaways. The bill therefore raises a sum total of \$20 billion per year that remains available for deficit reduction or new spending.

The Winners and Losers from the Progressive Tax Act of 2003				
Brackets	The Winners		The Losers	
	% with Lower Taxes	Average Tax Cut	% with Higher Taxes	Average Tax Increase
<b>\$1 - \$5,000</b>	43%	-\$549	1%	\$135
<b>\$5,000 - \$10,000</b>	72%	-\$1,153	1%	\$251
<b>\$10,000 - \$15,000</b>	81%	-\$1,390	4%	\$162
<b>\$15,000 - \$20,000</b>	84%	-\$1,297	5%	\$124
<b>\$20,000 - \$25,000</b>	87%	-\$1,165	7%	\$198
<b>\$25,000 - \$30,000</b>	86%	-\$1,047	8%	\$206
<b>\$30,000 - \$40,000</b>	46%	-\$1,914	12%	\$218
<b>\$40,000 - \$50,000</b>	53%	-\$1,584	15%	\$288
<b>\$50,000 - \$75,000</b>	51%	-\$1,068	21%	\$445
<b>\$75,000 - \$100,000</b>	43%	-\$835	33%	\$575
<b>\$100,000 - \$200,000</b>	19%	-\$636	63%	\$1,067
<b>\$200,000 - \$500,000</b>	<1%	-\$2,729	91%	\$4,814
<b>\$500,000 - \$1,000,000</b>	<1%	-\$9,534	98%	\$26,394
<b>Over \$1,000,000</b>	<1%	-\$50,973	99%	\$229,774
<b>ALL</b>	54%	-\$1,215	17%	\$3,210

Regressive Effects of Bush Tax Cuts			
Income Group	Brackets	2004 Ave. Tax Cut	2004 % of Tax Cut
<b>Lowest 20%</b>	0 - \$16,000	-\$91	0.9%
<b>Second 20%</b>	\$16,000 - \$29,000	-\$460	4.6%
<b>Middle 20%</b>	\$29,000 - \$46,000	-\$863	8.7%
<b>Fourth 20%</b>	\$46,000 - \$76,000	-\$1,544	15.5%
<b>Next 15%</b>	\$76,000 - \$151,000	-\$3,375	25.4%
<b>Next 4%</b>	\$151,000 - \$353,000	-\$7,439	15.0%
<b>Top 1%</b>	\$353,000 -	-\$59,292	29.8%

Federal spending directly improves the economy by adding to the GDP, stimulating job growth, while resolving current issues of the citizenry such as universal health care and improved education.

To call any departure from current law a “tax increase,” as the Bush Administration is doing, is inaccurate. The status quo is not sustainable, hence it is not a reasonable standard by which to judge any tax change.

## **Title I – Progressive Tax Relief**

### **Sec 101. Simplified Family Credit**

This section creates a refundable tax credit worth up to \$2000 per child. It greatly simplifies tax preparation by eliminating the child tax credit, additional child tax credit, EITC, and dependent exemption.

- \$2000 tax credit per child
- 50% phase-in rate
- No limit on number of children that get credit
- Phase-out at 10% rate begins at \$150,000 joint / \$100,000 HoH
- Repeals Child credit, EITC, deduction of dependents

### **Sec 102. Refundable Credit for Payroll Taxes**

A refundable tax credit covering the amount one pays in payroll taxes up to \$1530. This benefit is phased out so lower income tax payers are the beneficiaries. Holds Social Security and Medicare harmless as all payments are from general revenue.

- \$1530 payroll tax refund from \$10,000 wages to \$15,000 wages
- Phase-out rate 10% beginning at 15,000 wages and ending at \$30,000 in wages

***Revenue shifted to lower income and children: \$87.8 billion***

## **Title II – Abusive Tax Shelter Elimination**

### **Sec 201 – 229. Abusive Tax Shelter Shutdown and Taxpayer Accountability**

To rein in abusive tax shelters this section will require that all transactions have economic substance including changing the taxpayer's economic position and a substantial non-tax purpose for entering into such transactions. Thus, transactions designed to provide tax benefits only would be banned.

The bill also strengthens penalties to slam shut tax loopholes. Actions that are penalized include a failure to disclose "reportable" transactions, failure in accuracy, substance-free transactions, and understatement penalties. Financial advisors lose their confidentiality privileges for tax shelters, must register all tax shelter arrangements, keep mandatory lists of investors to whom abusive tax shelters have been marketed and sold, and face penalties for helping taxpayers engage in tax avoidance behavior.

The bill corrects an oversight in the tax code that allows taxpayers to conceal offshore bank accounts without fear of penalty and makes technical changes recommended by the Joint Tax Committee following their investigation of the tax avoidance activity of the Enron Corporation.

***Revenue: \$2 Billion***

### **Title III – Progressive Tax Reform**

#### **Sec 301. Income Tax Modifications**

**Top two tax brackets are returned to 36% and 39.6%**

<b>Changes in Income Tax Rates</b>			
<b>Tax Brackets (HH)</b>	<b>Pre-Bush Tax Rates</b>	<b>Current Rates</b>	<b>Kucinich Rates</b>
\$0 - \$10,000	15%	10%	10%
\$10,000 - \$38,050	15%	15%	15%
\$38,050 - \$98,250	28%	25%	25%
\$98,250 - \$159,100	31%	28%	28%
\$159,100 - \$311,950	36%	33%	36%
\$311,950 and over	39.6%	35%	39.6%

**Shift some from 28% to 36% tax brackets**

<b>Filing Status</b>	<b>New Tax Rates</b>	<b>Prior Tax Brackets (2003)</b>	<b>New Tax Brackets (30% shift)</b>
<b>Single</b>	28%	\$68,800 - \$143,500	\$68,800 - \$100,450
	36%	\$143,500 - \$311,950	\$100,450 - \$311,950
<b>Head of Household</b>	28%	\$98,250 - \$159,100	\$98,250 - \$111,370
	36%	\$159,100 - \$311,950	\$111,370 - \$311,950
<b>Married Filing Jointly</b>	28%	\$114,650 - \$174,700	\$114,650 - \$122,080
	36%	\$174,700 - \$311,950	\$122,080 - \$311,950

#### **Sec 302. Keep the partial itemized deduction (Pease) and the personal exemption phase-out (PEPO)**

The elimination of phase-outs that only benefit the upper income tax brackets during record deficits is fiscally irresponsible. No economic benefit will be derived from such a tax policy, but future generations will get to pay for it.

#### **Sec 303. Treat Individual Capital Gains and Dividends as Ordinary Income**

Wealth generated from capital gain and dividends is not based on work, but on investment. Permitting lower tax rates on these profits is giving incentives to investment income over hard work. That is morally wrong and creates an economic burden upon the economy. Rewarding work provides a significantly larger boost to our economy because work represents a significantly larger share of the GDP. By treating individual capital gains and dividends as ordinary income, these profits earned without work are taxed at a rate equal to income earned via work.

***Revenue: \$73 billion***

**Sec 304. Estate Tax Reform**

The estate tax is a necessary form of taxation to prevent great wealth accumulation by a few over subsequent generations. Again, it is preferable to tax investment income as opposed to income derived from work.

- Retains the estate tax but sets the estate tax exclusion to \$2 million per decedent
- Returns the maximum estate tax rate back to 55% (up from the current 49%)
- Reinstates the 5% “bubble” surtax
- Repeals the modified carryover basis rules that EGTRRA implements in 2010 and instead continues the step-up in basis rules under current law
- Increases the exclusion for small family farms from the estate tax to \$2 million

***Revenue: \$10 billion***

**Sec 305. Reinstate the Superfund tax**

Reinstates the taxes funding the Hazardous Substance Superfund and the Oil Spill Liability Trust Fund and extends the taxes funding the Leaking Underground Storage Tank Trust Fund.

***Revenue: \$1.5 billion***

**Sec 306. Eliminate remaining Bush business tax cuts from 2002 and 2003 tax cut bills.****The Job Creation and Worker Assistance Act of 2002**

Eliminate big business tax deduction that allowed a 30% bonus depreciation in first year for equipment (the provision expires in 2004).

**Jobs and Growth Tax Relief Reconciliation Act of 2003**

Eliminate a temporary increase in section 179 expensing (full deduction in 1 year for equipment) from \$25,000 to \$100,000 and eliminate an increase in the phase-out for section 179, thus allowing larger businesses to qualify for the expensing provision.

Eliminate big business tax deduction that allowed a 50% bonus depreciation in first year for equipment investment (the provision expires in 2005).

***Revenue: \$1.25 billion***

**Sec 307. Eliminate Parking Tax Breaks**

Eliminates a tax exclusion from employee income for parking reimbursements. This tax break subsidized non-sustainable transportation.

***Revenue: \$2.8 billion***

**Sec 308. Eliminate Second Home Tax Shelter**

Eliminate deductions (both mortgage interest and state and local property tax) for second homes (as defined by the IRS). Mortgage interest and state and local property tax deductions for the tax filer's primary home encourages home ownership.

***Revenue: \$16 billion***